UNITED
NATIONS

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Security Council

Distr.
GENERAL

S/1997/942
2 December 1997

ORIGINAL: ENGLISH

LETTER DATED 2 DECEMBER 1997 FROM THE CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit herewith for the attention of the members of the Council the report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait pursuant to paragraph 4 of Security Council resolution 1111 (1997). The report, covering the Committee's activities in relation to the implementation of the arrangements stipulated in Council resolution 986 (1995) prior to the end of the 180-day period after the date of entry into force of paragraph 1 of resolution 1111 (1997), was adopted by the Committee on 2 December 1997.

(Signed) António MONTEIRO
Chairman
Security Council Committee established
by resolution 661 (1990) concerning the
situation between Iraq and Kuwait

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Annex

Report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995)

I. INTRODUCTION

1. The present report is submitted to the Security Council pursuant to paragraph 4 of resolution 1111 (1997) of 4 June 1997, in which the Council requested the Committee established by resolution 661 (1990) of 6 August 1990, in close coordination with the Secretary-General, to report to it prior to the end of the 180-day period on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995). The 180-day period after paragraph 1 of resolution 1111 (1997) came into force ends on 4 December 1997.

2. To date, the Committee has submitted three reports to the Security Council on the implementation of the arrangements set out in resolution 986 (1995), two during the first 180-day period (phase I) ending June 1997 (S/1997/213 and S/1997/417) and the third on 8 September 1997 at the end of the first 90-day period in phase II of the operation as extended by the Security Council in its resolution 1111 (1997) (S/1997/692).

II. EXPORT OF OIL FROM IRAQ

3. The export of petroleum from Iraq in phase II has proceeded with excellent cooperation among the overseers, the United Nations independent inspection agents (Saybolt), the Iraqi State Oil Marketing Organization and the national oil purchasers. In view of the delayed resumption in petroleum sales, the projected $500 million revenue shortfall in the 90-day revenue objective of $1.07 billion (including the pipeline fee) and the consequences for humanitarian supplies, the Security Council, in its resolution 1129 (1997) of 12 September 1997, decided to extend the first quarter from 90 days to 120 days and to limit the second quarter to 60 days. It has now been determined that the proceeds received from oil sales for the first quarter in phase II amount to $1.07 billion.

4. Thirty-three contracts, involving purchasers from 14 countries, have been reviewed and approved by the overseers in phase II (see appendix). The total quantity of oil approved for export under those contracts corresponds to approximately 126.8 million barrels for the 180 days. All contracts submitted employed the pricing mechanisms approved by the Committee on the recommendation of the overseers.

5. In the first quarter, 57 loadings, totalling 65.4 million barrels, were completed. In the second quarter, 54 liftings, totalling 56 million barrels, with an estimated value of $974 million, have been completed. Seven liftings remain for the second quarter. The letters of credit opened for each of the

liftings were confirmed by the overseers upon compliance with the terms and conditions of the contracts approved and consultations with the parties concerned. About 57 per cent of the liftings were made at Ceyhan in Turkey. The largest share of the volume lifted went to Europe. At current prices, total revenue projected for the 180-day period by lifting the remaining contract volumes is about $2.14 billion (including the pipeline fee).

6. The overseers have continued to advise and assist the Committee on the pricing mechanisms, contract approval and modifications, management of the 90-day revenue objective of $1.07 billion (including the pipeline fee) and other pertinent questions related to import and monitoring, under resolutions 986 (1995), 1111 (1997) and 1129 (1997), of each export of petroleum originating in Iraq. The overseers and the independent inspection agents (Saybolt) deployed to monitor oil loadings and transfers have worked closely to ensure the effective monitoring of the relevant oil installations as well as the liftings.

7. Pursuant to paragraph 2 of the procedures of the Committee (S/1996/636), 237 national oil purchasers have been nominated from 40 countries who are authorized to communicate directly with the overseers.

8. Pursuant to paragraph 14 of the procedures of the Committee, the overseers have continued to report to it once a week on the contracts considered by them relating to the sale of petroleum originating in Iraq, including the cumulative quantity and approximate value of petroleum authorized for export. So far, 50 such reports have been submitted to the Committee.

III. EXPORT OF HUMANITARIAN SUPPLIES TO IRAQ

9. The processing of contracts for supplying humanitarian goods to Iraq remains the priority for the Committee in the second 180-day period of the operation under resolution 986 (1995) as extended by resolution 1111 (1997) (phase II). Humanitarian supplies to Iraq approved under resolution 986 (1995) (phase I) continue to reach Iraq. Owing to the delayed start in the sales of
um after the adoption of resolution 1111 (1997), humanitarian supplies
ed under phase II started to arrive in Iraq on 2 November 1997.

1 e approval process of phase II applications started on 11 September 1997, when the first application was received by the Committee. Since then, phase II has been running parallel to phase I. The categorized list of supplies and goods that accompanied the distribution plan for phase II (S/1997/606) was made available to the Committee in September 1997. It has subsequently been computerized and made available to interested Member States.

11. During phase II, the Committee held a number of informal meetings at an expert level to deal with issues arising from the processing of applications under phases I and II. At those meetings, members of the Committee discussed with the secretariat of the Committee questions related to the transition of the operation from phase I to phase II. On the basis of the suggestions by the secretariat and with a view to facilitating the preparation of a new orientation session to be held soon in order to brief interested delegations on certain practical aspects related to the implementation of resolutions 986 (1995) and

1111 (1997), Committee members exchanged views on questions pertaining to the practice of the secretariat in the processing of applications to send humanitarian supplies to Iraq under those resolutions.

12. As mentioned in the previous report of the Committee on the operation (S/1997/692), the Secretary-General, on 31 July 1997, approved the designation of Al-Walid at the Iraqi/Syrian border (facing Al-Tenf, Syrian Arab Republic) as a new entry point for the supply of humanitarian goods to Iraq under resolution 986 (1995). Subsequently, on 26 August 1997, 10 United Nations independent inspection agents from Lloyd's Register were deployed there to authenticate the arrival of humanitarian supplies to Iraq in accordance with paragraph 36 of the procedures of the Committee for the implementation of resolution 986 (1995). After becoming operational on 29 September 1997, the first consignments arrived at Al-Walid on 3 November 1997 and were authenticated the next day.

13. The authentication of the arrival of humanitarian supplies in Iraq by the United Nations independent inspection agents (Lloyd's Register) has been going on smoothly at all four entry points at Al-Walid, Trebil, Umm Qasr, and Zakho. The Iraqi authorities have accorded the independent agents full cooperation in their operation. As at 1 December 1997, 469 consignments of humanitarian supplies have been confirmed as having arrived in Iraq in total or in partial shipments.

14. As at 1 December 1997, the Committee has received 929 applications under phase I, 65 of which have subsequently been cancelled. Eight hundred fifty-four were circulated to Committee members for action. Of these, 778 have been approved, totalling approximately $1,218 million, and 31 have been placed on hold. Of the remaining 55, 45 have been blocked and 10 have not yet been circulated to Committee members because the secretariat is still waiting either for needed information from the applicant States or the accumulation of sufficient funds. Under the 13 per cent account, a cumulative total of 303 applications had been submitted under phase I as at 15 November 1997, of which 290 had been approved, with 13 pending.

15. Funds for exports to Iraq under resolution 1111 (1997) became available in the escrow account on 12 September 1997. As at 1 December 1997, the Committee has received 239 applications under phase II, 6 of which have subsequently been cancelled. One hundred forty-one were circulated to Committee members for action. Of these, 117 have been approved, totalling approximately $747.5 million, and 7 have been placed on hold. One has been blocked and 16 are awaiting decisions of the Committee since the time limit within which the Committee is expected to decide has not elapsed. Ninety-two have not yet been circulated to Committee members because the secretariat is still waiting for funds to become available or for required information from the applicant States. Under the 13 per cent account, 64 applications had been submitted under phase II as at 15 November 1997, and 51 of them had been approved.

IV. MATTERS RELATING TO THE KIRKUK-YUMURTALIK PIPELINE

16. Pursuant to paragraph 2 of resolution 986 (1995), on 25 September 1997 Turkey requested the Committee's approval for payments of the oil transportation fees due it during the first 90-day period of Iraq's oil exportation in phase II. Subsequently, a transfer of the agreed pipeline fee totalling $46,285,616.44 was effected with Turkey as the beneficiary.

17. As summarized in the Committee's previous report (S/1997/692), the Committee has received from Turkey, pursuant to paragraph 9 of resolution 986 (1995), two requests to supply parts and equipment for the repair and maintenance of the Kirkuk-Yumurtalik pipeline system in Iraq. Both requests have been approved.

V. CONCLUSIONS

18. The Committee will continue to work for the smooth and effective implementation of the relevant arrangements under resolutions 986 (1995) and 1111 (1997). Issues with regard to the processing of applications for humanitarian supplies to Iraq will continue to be actively considered by the Committee on an ongoing basis. In this connection, the Committee wishes to express its appreciation to all parties concerned for their cooperation and contribution.

Appendix

Contractual volume by country (barrels)